

FEDERAL RESERVE SYSTEM

Dexia Project and Public Finance International Bank
Paris, France

Order Approving Establishing of a Branch and Representative Office

Dexia Project and Public Finance International Bank ("Bank"), Paris, France, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed branch in New York, New York, and under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Washington, D.C. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch or representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in newspapers of general circulation in New York, New York, and Washington, D.C. (*The New York Post*, March 22, 1999; *The Washington Post*, March 22, 1999). The time for filing comments has expired, and all comments have been considered.

Bank had assets of approximately \$52.1 billion as of June 30, 1999. Approximately 71 percent of Bank's voting shares is owned by Dexia Crédit Local

de France ("DCLF"), Paris, France, and the remaining 29 percent is owned by Crédit Communal de Belgique ("CCB"), Brussels, Belgium. Two holding companies, Dexia France, Paris, France, and Dexia, S.A., Brussels, Belgium, each own 50 percent of each of CCB and DCLF. Dexia, S.A. in turn owns almost all the shares of Dexia France. The largest shareholder of Dexia, S.A. is Holding Communal, S.A., Brussels, Belgium, which holds approximately 23 percent of its shares.

Bank was established in January 1998 to coordinate the development by the Dexia organization of its public and project financing activities outside France, Belgium, and Luxembourg. Currently, Bank has a number of subsidiary banks in Europe, a branch in each of London and Stockholm, and a representative office in Lisbon. In New York, DCLF operates a state-licensed agency and CCB operates a state-licensed branch. Bank's proposed branch would assume the business of DCLF's New York agency and expand its deposit-taking services.^{1/} The proposed representative office would act as a liaison between Bank and various international development assistance organizations.

^{1/} Bank has stated that DCLF's New York agency would not engage in further business after Bank's establishment of a New York branch and would eventually be closed. CCB's New York branch, however, would continue in existence.

In order to approve an application by a foreign bank to establish a branch in the United States, the IBA and Regulation K require the Board to determine that each of the foreign bank applicant and any parent foreign bank engages directly in the business of banking outside of the United States, and that the applicant has furnished to the Board the information it needs to assess the application adequately. The Board generally also must determine that each of the foreign bank and any parent foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.^{2/} The Board also may take into account additional standards as set forth in the IBA and Regulation K.^{3/}

Bank, DCLF, and CCB engage directly in the business of banking outside the United States through their banking operations in Europe and elsewhere. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the

^{2/} See 12 U.S.C. § 3105(d)(2).

^{3/} See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c).

Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship to any affiliates, to assess the bank's overall financial condition and its compliance with law and regulation.^{4/} The Board has made the following findings with regard to the supervision of Bank, CLF, and CCB.

The Board previously determined that three French credit institutions were subject to comprehensive consolidated supervision by the French Commission Bancaire.^{5/} The Board has found that DCLF and Bank are supervised by the

^{4/} See 12 CFR 211.24(c)(1). In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors: (i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide; (ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise; (iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic; (iv) receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; (v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision; no single factor is essential and other elements may inform the Board's determination.

^{5/} See *Crédit Agricole Indosuez*, 83 Federal Reserve Bulletin 1025 (1997); *Caisse Nationale de Crédit Agricole*, 81 Federal Reserve Bulletin, 1055 (1995); *Banque Nationale de Paris*, 81 Federal Reserve Bulletin 515 (1995).

Commission Bancaire in substantially the same manner as the other French credit institutions. The Board also previously determined that CCB was subject to comprehensive consolidated supervision by the Belgian Commission Bancaire et Financière ("CBF").^{6/} The Board has found that the supervision of CCB has not changed materially since making that prior determination. Based on these findings and all the facts of record, the Board has determined that Bank, DCLF, and CCB are subject to comprehensive consolidated supervision by their home country supervisors.^{7/}

The Board also has taken into account the additional standards set forth in the IBA and in Regulation K.^{8/} Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues. In addition, Bank's home country authority has granted Bank approval to establish the proposed branch.

^{6/} See *Crédit Communal de Belgique*, 82 Federal Reserve Bulletin 104 (1996).

^{7/} In addition, the Board notes that the CBF exercises consolidated supervision over Dexia, S.A. and is thus the primary supervisor of the entire Dexia group. The CBF exchanges information regularly and frequently with the French Commission Bancaire.

^{8/} See 12 U.S.C. § 3105(d)(3) and (4); 12 CFR 211.24(c)(2).

France's risk-based capital standards conform to E.U. capital standards which are consistent with those established by the Basle Capital Accord. Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are consistent with approval, and Bank appears to have the experience and capacity to support the proposed branch. In addition, Bank has established controls and procedures in the branch to ensure compliance with applicable U.S. law, as well as controls and procedures for its worldwide operations generally.

Finally, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank and its parents have committed to make available to the Board such information on Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information may be prohibited or impeded by law or otherwise, Bank and its parents committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition,

subject to certain conditions, the French and Belgian banking authorities may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board has concluded that Bank and its parents have provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state-licensed branch in New York, New York, and a representative office in Washington, D.C., should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.^{2/} The

^{2/} The Board's authority to approve the establishment of the proposed offices parallels the continuing authority of the State of New York and the District of Columbia to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of these jurisdictions to license the

commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings under applicable law against Bank, its offices, and its affiliates.

By order of the Board of Governors,^{10/} effective February 22, 2000.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

proposed offices of Bank in accordance with any terms or conditions that they may impose.

^{10/} Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.